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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 001774

SIPDIS

TFIZ01 FOR EB ACTION OFFICER
E STAFF FOR SECOR
TREASURY FOR OASIA--MILLS, CHANG, SIMPSON
COMMERCE FOR 4520/ITA/MAC/ONE/COBERG

E.O. 12958: DECL: 03/24/2013

TAGS: [EFIN](#) [ETTC](#) [PREL](#) [1Z](#) [JO](#)

SUBJECT: TFIZ01: JORDAN FREEZE OF IRAQI ASSETS

REF: A) STATE 74249 B) AMMAN 1620

Classified By: A/DCM DOUG SILLIMAN, REASONS 1.5 (b) and (d)

[11.](#) (C) SUMMARY: Central Bank of Jordan (CBJ) officials have frozen Government of Iraq (GOI) assets in Jordanian banks pending resolution of the conflict in Iraq, and, in addition, are keeping a watchful eye on the Jordanian operations of the GOI-owned Rafidain Bank. Banking sector exposure to Oil for Food (OFF) letters of credit continues to be high, and Jordan hopes an alternative delivery point for OFF goods can be established with the help of the UN (REF B). The Central Bank also reports normal business transpiring for the banking sector in the first few days of the war. END SUMMARY

GOI FUNDS BELONG TO THE IRAQI PEOPLE

[12.](#) (C) CBJ Deputy Governor Mohammed Said Shahin confirmed March 24 that the Bank issued a confidential memo March 20 directing Jordanian banks to freeze all GOI accounts until further notice. The memo was coordinated with Prime Minister Abul Ragheb and the General Intelligence Directorate (GID). Shahin said he called the general managers of each bank to personally pass along Governor Toukan's instructions and to enjoin them to "keep the memo secret." He said that he followed up with another call to bank officials March 23, asking them to call him immediately "with any fishy matters" that would suggest withdrawals from other accounts on the part of GOI officials. In line with the points in REF A, Shahin emphasized to bankers that it was "in Jordan's national interest to safeguard the funds for the Iraqi people. It belongs to them, not to Saddam and his entourage."

[13.](#) (C) Shahin stressed to us that while it had the full support of the Jordanian government, this was a very sensitive matter for the GOJ. Thus, the Bank was not making a public announcement of this action.

[14.](#) (C) Shahin also said the CBJ was keeping "a close eye" on the Amman branch of the GOI-owned Rafidain Bank, the only Iraqi bank with branches outside of Iraq. He said the branch maintains accounts in Jordanian banks on behalf of the GOI and its front companies. Shahin told us the CBJ is allowing Rafidain to transfer funds from one Jordanian bank to another, but that it cannot move money outside of the system. He hoped that a post-Saddam Rafidain Bank would be "energized" to facilitate international commerce and trade for a normal Iraq.

OFF EXPOSURE: STILL HIGH

[15.](#) (C) Shahin said the Central Bank of Iraq had no accounts with the CBJ and that the only relationship between the two was through the implementation of the bilateral oil for goods barter protocol. He added that recent protocol trade was "not what it used to be." He said that the CBJ worked diligently with the Ministry of Trade and Industry and the Customs Directorate to ensure proper valuation of protocol shipments, as over-valuation had been a problem.

[16.](#) (C) In a separate conversation, CBJ Director of Banking Supervision Mai Khamis estimated current exposure of the Jordanian banking sector to UN-authorized exports to Iraq under the OFF program at about \$250 million. She said she had no breakdown on how much of that exposure was related to trade currently held up by the conflict. She requested Embassy assistance in determining the status of a GOJ request of the UN to permit OFF deliveries to the Port of Aqaba and stationing of a Cotechna team in Jordan pending resolution of hostilities (REF B).

BANKS REPORT BUSINESS AS USUAL

17. (C) Shahin said the CBJ was monitoring bank activity daily and that bank business had been normal since the war began. He said Jordanian banks had not faced problems clearing international transactions, attributing this to the high capital adequacy level of Jordanian banks, currently around 20% on average. Shahin added that the sector has approximately \$4.7 billion in foreign currency deposits abroad, which also made foreign banks comfortable dealing with Jordanian counterparts. Shahin said the Bank had brought cash into the country earlier this month in case it was needed to meet customer demand for banknotes.

COMMENT

18. (C) There continue to be no reports of unusual demands for foreign currencies or of efforts to transfer funds outside of Jordan. Healthy bank capitalization and strong foreign reserves, should, for now, help the sector weather the storm. However, a longer-than expected conflict will require the continued attention and diligence of the CBJ, and anything we can to support that effort will be in our interests as much as in the interest of the Government of Jordan.

GNEHM